

**Wiltshire Council
Cabinet**

18 October 2011

Budget Monitoring Period 5 August 2011

Cabinet Member: Cllr John Brady – Finance, Performance & Risk

Key Decision: No

Executive Summary

The report sets out the revised budget for each Department following also shows the structural changes that have occurred since budget setting to the end of period 5

The report advises members of the revenue budget monitoring position as at the end of Period 5 (August 2011) for the financial year 2011/2012 and highlights significant new cost pressures or changes since the last report on 13 September 2011.

The Month 4 budget monitoring report identified significant potential cost pressures reported that totalled £3.084 million. This period has identified improvements in these cost pressures totalling £0.225 million. This gives a revised potential cost pressure of £2.859 million at period 5.

To continue to reduce the potential pressures the report proposes the deferring of expenditure on Carbon reduction. This would give a potential one off saving in 2011/2012 of an estimated £0.180 million. This has not been reflected in the forecast.

Additionally, the report proposes the release of £0.500 million from general fund reserves for various projects relating to transformation. If this release is not approved, and the essential transformation activity continues, then the Council's potential overspend will increase to £3.359 million.

Further action is being taken to balance the budget by 31 March 2012, and this is discussed in more detail within the body of the report.

Proposals

1. Members are asked to note the outcome of the Period 5 (August 2011) budget monitoring and receive updated movements since the previous report in September.

2. Approve deferral of Carbon Investment and release £0.500 million from the General fund to the Transformation budget.

Reason for Proposal

To inform effective decision making and ensure a sound financial control environment.

Michael Hudson
Chief Finance Officer

18 October 2011

Budget Monitoring Period 5 (August)

Cabinet Member: Cllr John Brady – Finance, Performance and Risk

Key Decision: No

PURPOSE OF REPORT

1. To advise members of the revenue budget monitoring position as at the end of Period 5 (August 2011) for the financial year 2011/2012, reflecting the structural changes that have occurred since budget setting and highlight any significant new cost pressures or changes since the last report on 13 September 2011.

BACKGROUND

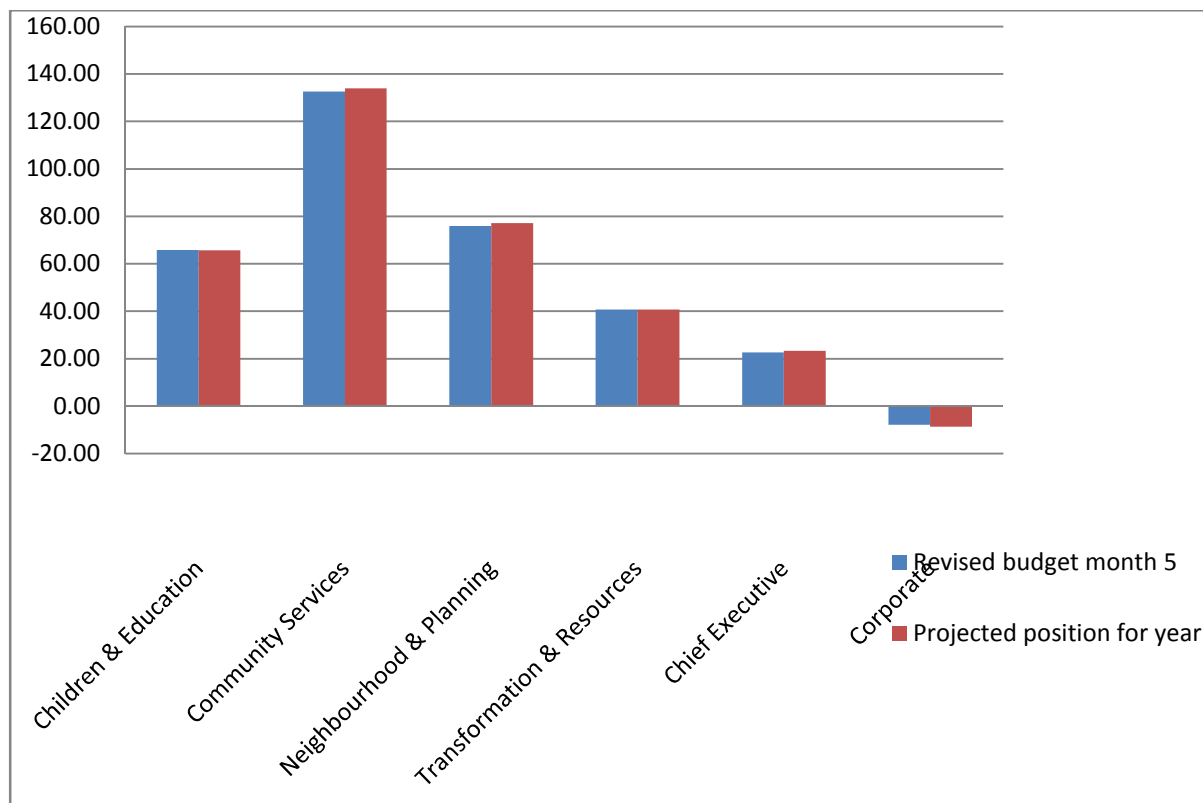
2. Previous monitoring reports this financial year have adopted a risk based approach and updated members of progress in delivering savings identified in the 2011/2015 Financial Plan in relation to the 2011/2012 base budgets. The outcomes of the previous risk based review of services are included in the figures included in this report.
3. The original budget was set using the old corporate structure. In June 2011 a new Departmental structure was agreed so this report revises the original budgets to reflect those changes ratified by members on 8 June 2011.
4. Therefore this report is in a different format from previous monitoring reports this year, focusing on the gross and net position by service. It contains comprehensive appendices showing the individual budget headings in Appendix C. More details on the movements in the year are included later in the report.

SUMMARY

5. The projected year end position for the relevant accounts is set out as follows:

	Current Budget at Period 5 £ m	Actual Period 5 £ m	Forecast Outturn £ m	Projected (Under)/overspend £ m	(Under)/overspend reported at period 4 £ m	Movement since period 4 £ m
General Fund Total	329.847	189.257	332.706	2.859	3.084	(0.225)
Housing Revenue Account	(0.411)	(0.411)	(0.411)	0.000	0.000	0.000

6. The graph below shows the forecast outturn position against the revised annual budget for each of the departments as at period 5. A full analysis is provided in Appendix C.



COST AND INCOME PRESSURES

7. Accountancy have continued to monitor budgets with a focus on those budgets assessed to be subject to a higher risk of volatility due to factors such as changes in demand or assumptions. This has identified the areas where costs have risen quicker than forecast.
8. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountancy regularly, on a risk based approach.
9. The Month 4 report identified significant potential cost pressures in those high risk services totalling £3.084 million. This period identifies an overall improvement in these cost pressures with a reduction totalling £0.225 million. This gives a downward revised cost pressure of £2.859 million at period 5. This is summarised and tied back to the last monitoring report in the following table

10. This month's report shows more detailed information and includes a number of smaller variances. Full details of departmental figures are included in Appendix C.

	Reported Period 4 £m	Variance £m	Current Pressures Period 5 £m
Demand for adult care services	1.322	(0.014)	1.308
Looked after children and Integrated Youth	0.439	(0.473)	(0.034)
Income from car parks and PCNs	0.540	0.560	1.100
Park and ride and HMRC refund	0	(0.400)	(0.400)
Underprovision in waste assumptions	0.783	(0.333)	0.450
New variances:			
Leisure	0	0.265	0.265
Legal	0	0.600	0.600
Finance	0	0.100	0.100
Capital Financing	0	(0.750)	(0.750)
Highways and Streetscene	0	0.250	0.250
Other small variances	0	(0.030)	(0.030)
Total	3.084	(0.225)	2.859

BUDGET MOVEMENTS IN THE YEAR

11. The original budget was set using the old departmental structure. Whilst the overall total is the same, several changes have occurred between the structure of the budget approved by members in February and the new corporate structure. Additionally, there are some individual rounding differences in the report appendices within the same overall total.
12. As part of the departmental restructure in June 2011, various services were transferred between departments. Appendix A shows the movements from the original budget approved in February to the new departmental structure approved in June 2011, as well as other in year virements to the current budget month 5.
13. A more detailed breakdown of major variances within the year is shown in Appendix B, and are summarised below.

Restructure movements

14. The introduction of the revised departmental structures in June 2011 gave rise to a number of movements of services between departments. More details are given in the movement summary in Appendix B. In addition, there were some movements within departments, in particular in the Department of Children and Education, where the reporting structure has been amended to give a more streamline reporting structure to Members.

In Year Budgetary Movements

15. There have been some interdepartmental movements in budget since the original budget. Move details are given in Appendix B.

Future Structural Changes

16. In September the Council was informed of a future corporate restructure. This was discussed at an extraordinary cabinet meeting on 6 October 2012. Due to the deadline on this report, it was not possible to recast the budget to reflect the corporate restructure for this meeting. The figures will be recast to reflect these changes and the next report to Cabinet for period 7 in December.

Detailed monitoring

17. The overall revised projected net position by departments is as follows:

Department	Current Budget at Period 5 £ m	Actual Period 5 £ m	Forecast Y/E £ m	Projected (Under)/overspend £ m	(Under)/overspend reported at period 4 £ m	Movement since period 4 £ m
DCE	65.778	97.678	65.744	(0.034)	0.439	(0.473)
DCS	132.611	57.905	133.919	1.308	1.322	(0.014)
DNP	75.875	30.859	77.540	1.665	1.323	0.342
DTR	40.754	20.364	40.754	0.000	0.000	0.000
CEX	22.693	0.599	23.363	0.670	0.000	0.670
Corporate	(7.864)	(18.148)	(8.614)	(0.750)	0.000	(0.750)
General Fund Total	329.847	189.257	332.706	2.859	3.084	(0.225)
Housing Revenue Account	(0.411)	(0.411)	(0.411)	0.000	0.000	0.000

18. A more detailed summary of the forecast variances is set out by department as follows. Budgets are profiled to reflect actual spend within the year. This leads to some variances between the current profiled period 5 and actual to date. This is due to timing differences for example with schools and work will continues to refine budget profiling within the year.

Department of Children and Education (DCE)

19. Pressures on the children in care budgets due to changes in legislation and increases in the numbers of looked after children are reflected in the forecast overspend on in house and external placements of £0.651 million. It is projected that the numbers of nights care commissioned will exceed budgeted activity by 17% (20,899 nights) and every effort has been made to ensure that the unit costs of these placements are minimised whilst meeting need.
20. The projected overspend on placements is currently mitigated by recovery actions taken to date including re-contracting of services, planned delays in filling vacancies and exceeding year 1 savings targets, for example in Social Care Business Support services. The pressure on the placement budget

remains and the Department is continuing to work to identify recovery actions to bring expenditure in line for the year end.

Department of Community Services (DCS)

21. At the end of August 2011, the Department of Community Services is reporting a projected overspend of £1.308 million. This forecast reflects the previously agreed transfer of £2 million from corporate resources. This will be allocated to specific budget areas prior to the next reporting period. Overall, the forecast position has improved slightly by £0.014 million from the position reported last month of £1.322m (£3.322 million less £2 million agreed from Corporate Resources).
22. As previously reported, the cost pressures being experienced are largely as a result of demand for Adult Social Care services being greater than that which was assumed when setting the budget. This is predominantly in the areas of:
 - Older People through demand for residential placements and also domiciliary care services. The forecast includes an assumption that the authority will make an additional 13 residential placements per month, an additional 91 placements to the end of the financial year;
 - Support and Adult Social Care Services provided through the Supporting People budget;
 - Support to people with a Physical Impairment with high cost, complex care packages (6 such packages have been agreed this year at a cost of £0.206 million).
23. Additional cost pressures are being experienced from an increasing number of people transferring to packages of social care following reassessment against the Continuing Health Care (CHC) criteria. To the end of August, the department has paid for packages of care for 9 people following this process, at an in year cost of £0.175 million. This continues to be a budget risk and is managed as part of the overall panel process.
24. As previously reported, the department has experienced a reduction in the rate at which people are leaving the care system, for example through moving out of county or through death rates. This is occurring across residential and nursing placement budgets and domiciliary care budgets. Rates have been reducing overall since April 2009, but the trend experienced so far in this financial year has been more prominent. In the first four months of this year, the rate has been 15% lower than the average rate for the same period for the last 2 financial years. The effect of this is that there are less placements becoming available for new people requiring a service, resulting in additional cost pressures. In addition, the rate last winter compared to the previous winter was lower, resulting in additional full year cost pressures in 2011/2012. The forecast includes assumptions for demand for the rest of the year which reflect these reduced rates.
25. The current forecast overspend against the Libraries, Arts and Heritage Service is as a result of lower than budgeted income levels. However, the department

is reviewing its planned expenditure against all budget areas to identify ways in which this can be managed. This will be reflected in future forecasts.

26. There is currently a forecast underspend against Strategic Housing. Forecast spend against the Rent Deposit Scheme is forecast to be less than budgeted and a number of vacancies across the department is reflected in an forecast underspend against staffing budgets.
27. The department continues to ensure that adult social care expenditure is tightly controlled. All packages of care are agreed through a panel process, against strict criteria to ensure that the most cost effective placements are always made as well as meeting a person's needs. The department has continued its programme of targeted reviews for domiciliary services. Domiciliary care packages will be reviewed to ensure that the Council provides an appropriate level of care whilst minimising dependency and cost. It is also hoped that the introduction of the Help to Live at Home Service will reduce the cost of new packages of care, resulting in lower ongoing costs. This will continue to be reviewed and reflected in future forecasts.
28. In addition, the department has taken a prudent assessment of receivable income from its partners. Work to recover this and speed up procurement is likely to reduce the shortfall by £1 million. Further management of supporting people and use of grant monies from the PCT are likely to bring in a further £0.150 million. Thus leaving the department nearly balanced. Further work will be undertaken in October to achieve this.

Department of Neighbourhood and Planning (DNP)

29. Previously the Department was reporting pressures totalling £1.593 million due to assumptions around Waste inflation (£0.783 million), the forecast shortfall on off street and on street car parking income (£0.540 million) and the red rating on procurement savings around Leisure (£0.270 million).
30. As at the end of period 5 (31 August 2011) detailed budget monitoring has flagged up several new areas of cost pressure within the Department, these together with the previously reported pressures, are being contained and in some cases mitigated so that the forecast overspend has reduced to £1.665 million.
31. The current countywide forecast shortfall on off street and on street car parking was reported at period 4 as £0.540 million. This took into account the reintroduction of one hour charging in Salisbury. From the latest usage data available, the anticipated shortfall in on street and off street car parking is £0.900 million. An additional £0.200 million shortfall is now anticipated on penalty charge notices. This has been significantly offset by the increased usage on Park & Ride which has generated additional income through the new pay on bus operation introduced this financial year with a current estimated year end surplus of £0.300 million. Due to the change in operation this saving is shown against the Public Transport service line. In addition an outstanding HMRC (Her Majesty's Revenue & Customs) claim made by the ex-district

councils associated with VAT on car park penalty charges is expected to yield a one off reimbursement of £0.100 million.

32. Within the Waste service the assumption around inflation is being analysed together with assumptions around the cost of the investment in new services. At this stage officers feel it's prudent that the forecast overspend can be reduced to £0.450 million.
33. As reported previously £0.270 million savings within the Leisure service were flagged as a red rating. Further monitoring predicts that management actions in reducing discretionary spend to a bare minimum in addition to carrying vacancies whilst the service undergoes restructure has now reduced this to an overspend of £0.215 million. However an updated income forecast has predicted a small shortfall in income, due to a fall in usage numbers of circa £0.050 million by year end.
34. Within the Department other pressures around assumptions on inflation and growth at budget setting, in addition to the Waste assumption, were inaccurate within services by circa £0.595 million. The majority of these are being effectively managed except for inflation around grounds maintenance contracts which are expected to be around £0.250 million overspend at year end.
35. The Department will now be reviewing and deleting vacancies as appropriate on all discretionary and non essential areas of spend that does not directly impact on front line delivery.
36. In addition to this, there are proposals for members to consider that would considerably help bring the Department, and the Council, back into balance. Investment as per the Business plan was outlined for the reduction of the Councils carbon footprint. Although plans are in place to deliver these programmes, it is anticipated that the full amount of investment is either not required, or could potentially be deferred, for this financial year but be carried over into financial year 2012/2013.
37. This would free up one off budget in 2011/2012 to reduce the overspend by an estimated £0.180 million, but in order to continue with the programmes and deliver on the promises and outcomes laid out in the Business plan this money would need to be re-phased into the 2012/2013 budget.
38. It is envisaged that by introducing rigorous action now on these areas that the Department will be able to mitigate the current £1.305 million overspend.

Department of Transformation and Resources (DTR)

39. As at the end of period 5 (31 August 2011) the Department is forecasting to be a balanced budget by year end, however the Department is facing significant strain on several service lines in undertaking the work required to transform Council services and infrastructure.

40. Work in transforming services through system thinking methodology is well underway in frontline services areas of the Council. Members will recall that the 2010/2011 outturn report suggested setting aside £0.500 million for various projects relating to transformation; however the decision was subsequently to transfer funds all to the general fund. Currently the additional cost of this transformational work is not budgeted, and if it is continued would lead to an overspend of circa £0.500 million. There is therefore a proposal in this report to continue with this work and for it to be funded from use of general fund reserves.
41. There is also pressure within transformation programme on property related costs in particular reactive repairs and maintenance. Whilst previously reported structural budget deficits connected with property have been managed and corrected for 2011/12, pressure still remains in this area.
42. In addition the ICT service is continuing to roll out the programmes and infrastructure that enables transformational service & Council wide change. It has recently gone through a major restructure and is now split into three delivery units: Service Fulfilment, Corporate Programme & Information Solutions. During this period of transition agency staff have been utilised to ensure maximum flexibility whilst also delivering on major projects, although substantial costs have been incurred these have been managed by, where possible, capitalising costs, however these staff will be phased out by December 2011. The restructure will be reflected in the appendices of future monitoring reports. Service fulfilment and information solutions will form the new ICT service, with the corporate programme team coming under Transformation, reflecting its wider role and remit.

Chief Executives Office

43. Significant cost pressures are being experienced with the Legal & Democratic and Finance, Procurement and Internal Audit service lines with a current anticipated forecast overspend of £0.600 million and £0.100 million respectively if no mitigating action is taken by financial year end.
44. Around £0.500 million of the overspend within Legal & Democratic services is related to spend on legal staffing, including temporary locums and agency agreements to meet increased demand faced across the Council e.g. Children's Social Care, Development Control. The recent removal of the internal legal fees recharge, to bring it in line with current Council practices of not having any internal recharges for support services, has focused the underlying trend of recent years in the cost pressure of providing specialised legal services. Previously, due to the internal recharge, this pressure would have been shared, reported and covered within the respective Council Departments but is now all concentrated on one service line. The Monitoring Officer is currently working with the Corporate Director to address this position and further information will be reported to Cabinet in the next revenue monitoring report.

45. The remainder of the overspend with the service is a direct result of undertaking Town and Parish council elections projected at a full year cost of £0.100m. Previously the cost for holding these elections was passed on to the respective Town or Parish.
46. The forecast overspend within Finance, Procurement & Internal Audit is attributable to the cost associated with bank and related transactional (i.e. card processing) charges and interim agency staffing arrangements. There is a structural budget deficit for the Councils bank charges, whereby the centralised budgets from the County and Districts was insufficient to deal with the costs arising from transition and subsequent transformation of the Councils bank accounts and transactions. This led to a significant overspend as reported in 2010/2011 and while negotiations with various parties have reduced elements of charges and mitigated the overspend from 2010/2011 an overspend is still anticipated in 2011/2012.
47. Interim agency staffing arrangements around debt recovery roles and the Chief Finance Officer (CFO) were in place up to August 2011. Whilst the CFO position has been fixed, the debt recovery roles still remain in place pending a reassessment of the position by the CFO. A review of all vacancies and agency will be complete by the end of October to return a balanced budget by the end of the financial year.

Corporate

48. An underspend of £0.750 million is forecast as a result of re-programming of capital expenditure and the revenue financing cost associated with those.

Housing Revenue Account

49. Budget figures on the Housing Revenue Account have been reviewed as part of the regular monitoring process. This is being tied into work relating to the subsidy changes being introduced in the localism bill. At present the account is reporting no change in forecast budget.

Future Monitoring

50. Period 7 ends on 31 October. The next budget monitoring report to be brought to the December Cabinet meeting will be period 7. This report will reflect any agreed future structural changes.

Overall conclusions

51. The September cabinet report suggested an overspend / shortfall on the balanced budget of £3.084 million due to cost pressures.
52. During the period additional cost pressures and savings have been identified that gives a downwards reduction of £0.225 million. This results in a revised forecast of a potential projected overspend based on assumptions, at end of period 5, of £2.859 million.

Cost pressures reported period 4 £3.084 million
Reduction in cost pressures in period (£0.225 million)

Cost pressures end of period 5 £2.859 million

53. The early identification of potential issues is part of sound and prudent financial management. Action to address this year's forecast should be taken where officers have the delegated powers to do so and this is underway.
54. The report proposes the re-phasing of expenditure on Carbon reduction. This would give a potential one off saving in 2011/2012 of an estimated £0.180 million.
55. Additionally, the report proposes the release of £0.500 million from general fund reserves for various projects relating to transformation.

Implications

56. This report informs member's decision making.

Risks assessment

57. If the Council fails to take actions to address forecast shortfalls, overspends or increases in its costs it will need to draw on its reserves. The level of reserves is limited and a one off resource that cannot thus be used as a long term sustainable strategy for financial stability. Budget monitoring and management, of which this report forms part of the control environment, is a mitigating process to ensure early identification and action is taken. At this stage that is in place.

Equalities and diversity impact of the proposals

58. None have been identified as arising directly from this report.

Financial implications

59. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report. If all proposed actions are delivered this will yield a balanced budget by 31 March 2012.

Legal Implications

60. None have been identified as arising directly from this report.

Proposals

61. Members are asked to note the outcome of the period 5 (August) budget monitoring and receive updates movements since the previous report in September.
62. Members are asked to approve the rephrasing of expenditure on Carbon reduction. This would give a potential one off saving in 2011/2012 of an estimated £0.180 million.
63. Members are asked to approve the release of £0.500 million from general fund reserves for various projects relating to transformation.

Reasons for proposals

64. To inform effective decision making and ensure a sound financial control environment.

Background Papers and Consultation

2011-15 Business Plan

2011-15 Financial Plan

Budget Monitoring Cabinet 26 July 2011

Budget Monitoring Cabinet 13 September 2011

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Appendices:

Appendix A: Revenue Budget Movements 2011/2012

Appendix B: Departmental Movements 2011/2012

Appendix C: Detailed Departmental Budget Statements